

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

HB 578 - SB 1121

February 20, 2023

SUMMARY OF BILL: Removes the fees for application and renewal of an enhanced handgun permit and the application and upgrade fee for a lifetime enhanced handgun permit.

FISCAL IMPACT:

Due to an incorrect assumption, the original fiscal estimate, issued on February 11, 2023, was determined to be in error. After accounting for this, the fiscal impact has been corrected as follows:

(CORRECTED)

Decrease State Revenue –

\$4,510,300/FY23-24 and Subsequent Years/Handgun Permit Division

\$202,100/FY23-24 and Subsequent Years/Tennessee Bureau of Investigation

Decrease Local Revenue –

\$220,400/FY23-24 and Subsequent Years

Other Fiscal Impact - To the extent that the required modifications to the Department of Safety's A-List system can be accomplished within available resources provided under the current vendor contract, the proposed legislation will not result in a significant increase in state expenditures. Otherwise, those modifications could result in a one-time increase in state expenditures of up to \$30,000 in FY23-24.

Assumptions:

- The fees for the affected classes of handgun permit and renewal are as follows:
 - Enhanced – \$100
 - Lifetime – \$300
 - Upgrade – \$200
 - Renewals – \$50
- Based on information provided by the Department of Safety (DOS), the total revenue received by the department in FY21-22 from the relevant application fees was \$4,914,450, received as follows:
 - Enhanced – 7,773 applications x \$100 = \$777,300
 - Lifetime – 5,700 applications x \$300 = \$1,710,000

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- Upgrade – 4,521 applications x \$200 = \$904,200
- Renewals – 30,459 applications x \$50 = \$1,522,950
- Total – \$4,914,450 (\$777,300 + \$1,710,000 + \$904,200 + \$1,522,950)
- It is assumed this revenue is the amount that could be expected to be received in the future and the amount of revenue that will be eliminated by the proposed legislation.
- From each enhanced and lifetime enhanced application fee: \$15 is allocated to the applicable sheriff for the purpose of verifying the truthfulness of the applicant's answers; \$15 is allocated to the Tennessee Bureau of Investigation (TBI) for updating and maintaining their databases; \$37.15 is allocated to the TBI to cover the cost of fingerprint vendors, TBI background checks, and Federal Bureau of Investigation (FBI) fingerprint background checks.
- The proposed legislation removes the direct allocations of \$15 to sheriffs and \$15 to TBI, or a total of \$30. Therefore, this fiscal analysis assumes that loss of such revenue is a loss of revenue to sheriffs and TBI.
- The decrease in revenue each year to the TBI is estimated to be \$202,095 [(7,773 enhanced + 5,700 lifetime enhanced) x \$15].
- The decrease in local revenue to sheriff's offices is estimated to be \$202,095 [\$15 x (7,773 enhanced + 5,700 lifetime)] in FY23-24 and subsequent years.
- The proposed legislation does not eliminate the need for background checks. It is assumed that all expenses incurred by the fingerprint vendors, TBI, and FBI will continue to be covered by the DOS. Therefore, DOS will not realize a decrease in expenditures; however, the current funding stream utilized for such expenditures will be impacted and is reflected as a decrease in revenue to the DOS in this fiscal analysis.
- Therefore, the revenue to DOS per permit that is being eliminated is as follows:
 - Enhanced – \$70 (\$100 - \$30 sheriffs and TBI)
 - Lifetime Enhanced – \$270 (\$300 – \$30 sheriffs and TBI)
- The DOS retains the full \$200 for upgrades and the full \$50 for each renewal.
- The decrease in state revenue to DOS is estimated to be \$4,009,738 in FY23-24 and subsequent years, as follows:
 - Enhanced – \$544,110 (7,773 applications x \$70)
 - Lifetime – \$1,539,000 (5,700 applications x \$270)
 - Upgrades – \$904,200 (4,521 applications x \$200)
 - Renewals – \$1,522,950 (30,459 applications x \$50)
 - Totals – \$4,510,260 (\$544,110 + \$1,539,000 + \$904,200 + \$1,522,950)
- Pursuant to Tenn. Code Ann. § 39-17-1351(q)(1), DOS is authorized to contract with a local government agency for the provision of any service related to the renewal of an enhanced handgun permit. An agency contracting with the department is authorized to charge an additional fee of \$4.00 for each renewal application, to be retained by the agency for administrative costs.
- DOS currently partners with at least 48 county clerks' offices in the state to issue such renewals. All charge the full \$4.00.
- The contracting entities are assumed to process approximately 15 percent of renewals.
- The proposed legislation eliminates the authorization for this fee and will result in a mandatory decrease in local revenue estimated to be \$18,275 (30,459 renewals x 15% x \$4) in FY23-24 and subsequent years.

- The total mandatory decrease in local revenue is thus estimated to be \$220,370 (\$202,095 sheriffs + \$18,275 county clerks) in FY23-24 and subsequent years.
- The DOS's A-List system will require one-time updates to accommodate the proposed changes. It is assumed that these modifications can be accomplished by the vendor under the current contractual agreement without a need for additional expenditures; therefore, any fiscal impact to DOS related to updates is estimated to be not significant.
- However, if the scope of work required by this and other legislation subsequently enacted exhausts the relevant contract provision, the proposed legislation could result in an increase in state expenditures up to \$30,000 in FY23-24.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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